

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**BOARD OF ADMINISTRATION**

**INVESTMENT COMMITTEE**

**September 15, 2008**

**Chief Investment Officer's**

**Consolidated Investment Activity Report**

**(July 2008 Reporting Period)**

## CalPERS Asset Allocation – July 31, 2008

### General Market Commentary

July saw a continuation of high market volatility as stocks declined rapidly during the first half of the month before rebounding by month's end. The European Central Bank showed signs of working to curb inflation, raising key interest rates 25 bps to 4.25%. Other major central banks held rates steady during the month. After topping a record high of \$145 per barrel, crude oil prices fell, ending the month at \$124 per barrel. The US dollar strengthened against the Pound, Euro, and Yen.

### Domestic and International Equities

Within the US equity markets, the S&P 500 returned -0.84% for the month of July. Small-cap stocks, as measured by the Russell 2000 Index, were up 3.70%. Growth stocks underperformed their value counterparts for the month, returning -1.90% versus value's return of -0.36% (as measured by the Russell 1000 Growth and Value). International equities declined in July, with the MSCI EAFE down -3.20% in dollar terms (down -2.00% in local currency). Emerging markets returned -3.69% (as measured by the MSCI EM Index).

### Domestic and International Fixed Income

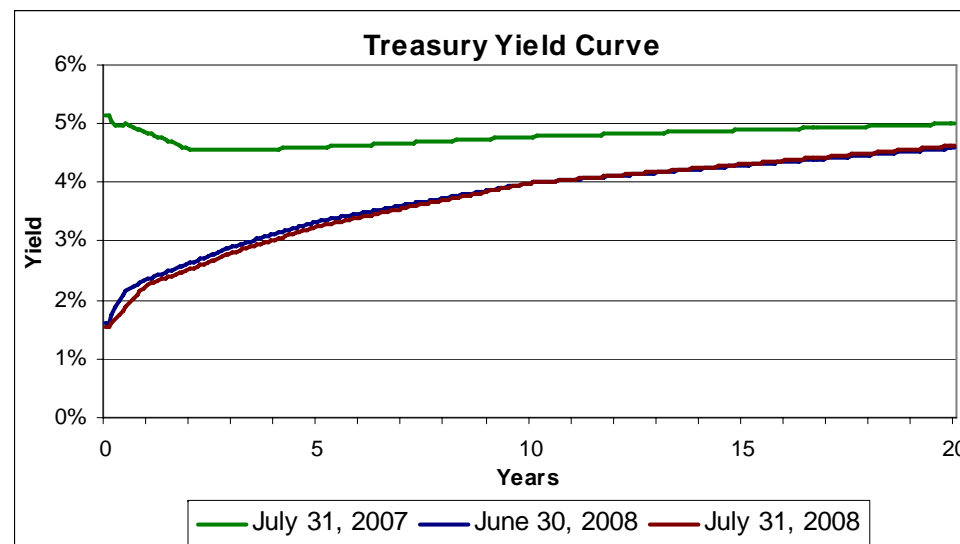
Credit spreads widened as a dislocation within the fixed income market continues. The Lehman Brothers Aggregate Bond Index returned -0.08% for July, underperforming US Treasuries' return of 0.55% (as measured by LB Treasury Intermediate Term Index). US TIPS were down -0.51% (LB US TIPS) during July. The high yield bond market returned -1.60% during the month, as measured by the Merrill Lynch High Yield Master II Index. International fixed income markets returned 0.16%, as measured by the Citigroup World Government Bond Index ex US (unhedged).

### Real Estate

Real estate (as measured by the MSCI US REIT Index) was positive for the month, up 3.16% in July. The NCREIF Index of Real Estate Properties returned a positive 0.56% for the quarter ended June 2008.

### Private Equity and Absolute Return Strategies

The Venture Economics All Private Equity Index returned 10.98% for the 12 months ended March 2008 and 13.48% for the 10 years ended March 2008. Absolute Return Strategies (CSFB/Tremont Hedge Fund Index) returned -2.61% in July and 1.38% for the 12 months ended July 2008.



MARKET INDICATORS	7/31/2007	Direction	6/30/2008	Direction	7/31/2008
1m LIBOR (fixed in \$)	5.32%	▼	2.46%	▼	2.46%
Federal Funds	5.25%	▼	2.00%	—	2.00%
10Y Treasury Note Yield	4.77%	▼	3.98%	—	3.98%
30Y Treasury Bond Yield	4.92%	▼	4.53%	▲	4.60%
DJ-Wilshire 5000 Comp	14,633.47	▼	13,016.38	▼	12,886.12
S&P 500	1,455.27	▼	1,280.00	▼	1,267.38
NASDAQ Composite	2,546.27	▼	2,292.98	▲	2,325.55
FTSE 100 Index	6,360.10	▼	5,625.90	▼	5,411.90
Nikkei 225 Index	17,248.89	▼	13,481.38	▼	13,376.81
Yen/\$ (Dollar Strength)	119.130	▼	106.170	▲	108.100
Euro/\$ (Dollar Strength)	0.729	▼	0.635	▲	0.641
GBP/\$ (Dollar Strength)	0.491	▲	0.502	▲	0.505
Crude Oil per Barrel	\$ 78.21	▲	\$ 140.00	▼	\$ 124.08
Gold (\$/oz Daily Spot)	\$ 665.50	▲	\$ 930.25	▼	\$ 918.00
GS Commodities Index	\$ 515.94	▲	\$ 862.81	▼	\$ 760.20

## CalPERS Asset Allocation – July 31, 2008

### Summary

- Total Fund Market Value was \$235.9 Billion
- Total Fund Book Value was \$209.0 Billion
- All Asset Classes are within their permissible ranges relative to target ranges and strategic target levels.

### Book to Market Value Comparison

	Book Value (\$ Billion)	Market Value (\$ Billion)	Effective Market Value (\$ Billion)	Difference (Market – Book) (\$ Billion)
Domestic Equity <sup>1</sup>	\$47.9	\$67.4	\$69.4	\$19.6
International Equity	\$51.8	\$53.0	\$55.4	\$1.3
<b>Global Equity</b>	<b>\$99.5</b>	<b>\$120.5</b>	<b>\$124.8</b>	<b>\$21.0</b>
Domestic Fixed Income	\$50.1	\$52.5	\$52.5	\$2.4
International Fixed Income	\$4.8	\$5.0	\$5.0	\$0.2
<b>Global Fixed Income</b>	<b>\$54.9</b>	<b>\$57.5</b>	<b>\$57.5</b>	<b>\$2.5</b>
<b>AIM</b>	<b>\$24.2</b>	<b>\$24.7</b>	<b>\$24.7</b>	<b>\$0.6</b>
<b>Real Estate</b>	<b>\$20.9</b>	<b>\$23.6</b>	<b>\$23.6</b>	<b>\$2.7</b>
<b>Inflation Linked</b>	<b>\$4.3</b>	<b>\$4.4</b>	<b>\$4.4</b>	<b>\$0.1</b>
<b>Cash Equivalents</b>	<b>\$5.2</b>	<b>\$5.2</b>	<b>\$0.9</b>	<b>\$0.0</b>
<b>Total Fund</b>	<b>\$209.0</b>	<b>\$235.9</b>	<b>\$235.9</b>	<b>\$26.9</b>

<sup>1</sup> Included is MDP Investment - LM Capital Investment: Total Book Value=\$206.8 million, Total Market Value=\$205.1 million.

\* Figures for this report are rounded for viewing purposes. Calculations are based on actual values. When summing net amounts on this report, there may be breakage.

### Top Company Exposures

- As a very significant institutional investor, CalPERS has large exposures to the securities of many corporations either through internal or externally managed portfolios. Consistent with board requested information and in support of the Board of Administration's oversight role, a schedule of the top 20 company exposures is prepared for informational purposes and can be found on Page 4.

## CalPERS Total Fund Top 20 Company Exposures

Based on Total Market Values as of 7/31/2008

Company Name	Equity Exposure			Total Equity Market Value	Fixed Income Exposure			Total FI Market Value	Real Estate Exposure (1)	TOTAL Market Value	% of Total Fund(3)
	Internally Managed Active	Externally Managed Passive	Externally Managed Active		Internal	External	Sec. Lending(2)				
GENERAL ELECTRIC	162,641,501	741,237,040	140,749,823	1,044,628,364	551,091,974	20,439,668	693,234,788	1,264,766,430		2,309,394,794	0.69%
EXXON MOBIL CORP	240,712,352	1,162,583,558	271,313,152	1,674,609,062				0		1,674,609,062	0.71%
BANK OF AMERICA CORP	88,845,035	402,795,029	105,200,941	596,841,005	528,673,903	46,363,438		575,037,341		1,171,878,346	0.50%
JPMORGAN CHASE & CO	84,696,526	361,216,549	114,081,117	559,994,192	502,000,793	47,526,499		549,527,292	42,279,000	1,151,800,484	0.49%
CITIGROUP INC	30,490,044	258,379,905	74,683,203	363,553,152	477,526,353	15,707,169	265,756,425	758,989,947		1,122,543,099	0.36%
WAL MART STORES INC	156,217,962	628,664,328	142,801,532	927,683,822	144,099,851			144,099,851		1,071,783,673	0.45%
BERKSHIRE HATHAWAY	180,591,355	463,751,400	46,466,700	690,809,455	333,847,211			333,847,211		1,024,656,666	0.43%
MICROSOFT CORP	100,144,858	649,273,108	150,608,115	900,026,081				0		900,026,081	0.38%
PROCTER + GAMBLE CO	115,691,766	548,532,508	100,698,745	764,923,019				0		764,923,019	0.32%
AT&T INC	103,967,575	488,381,634	139,905,345	732,254,554				0		732,254,554	0.31%
JOHNSON + JOHNSON	116,470,962	527,937,935	85,997,019	730,405,916				0		730,405,916	0.31%
CHEVRONTEXACO CORP	75,878,732	477,256,640	151,214,335	704,349,707				0		704,349,707	0.30%
HSBC HOLDINGS PLC		438,486,895	125,995,190	564,482,085	116,840,347	18,858,947		135,699,294		700,181,379	0.30%
ROYAL DUTCH SHELL		494,575,610	203,074,941	697,650,551				0		697,650,551	0.30%
INTERNATIONAL BUSINESS MACHINES	88,664,288	463,364,388	132,220,233	684,248,909		3,391,215		3,391,215		687,640,124	0.29%
AMERICAN INTL GROUP INC	30,021,870	179,289,125	34,478,425	243,789,420	334,413,100	2,513,728	100,067,000	436,993,828		680,783,248	0.25%
CONOCOPHILLIPS	83,121,237	338,022,047	88,230,077	509,373,361	159,793,457			159,793,457		669,166,818	0.28%
VERIZON COMMUNICATIONS INC.	29,317,154	258,717,616	62,240,200	350,274,970	280,053,769	3,399,118		283,452,887		633,727,857	0.27%
GOOGLE INC	104,317,381	402,498,000	90,966,633	597,782,014				0		597,782,014	0.25%
GOLDMAN SACHS GROUP	44,046,293	181,647,480	77,066,198	302,759,971	278,258,052	45,165,090		323,423,142		626,183,113	0.27%

(1) Real Estate exposure data only includes the 20 companies with the highest annual lease revenues for each core partnership, excludes properties in escrow. The market value exposures are calculated based only on two years of expected lease revenues.

(2) Does not include Repos

(3) Excludes securities lending exposure

# CalPERS

## Asset Allocation as of July 31, 2008

Total Fund Market Value: **\$235,920,639,078**

	Global Equity	Domestic Equity	International Equity	Global Fixed	Domestic Fixed	International Fixed	AIM	Real Estate	Inflation Linked <sup>5</sup>	Cash <sup>1</sup>	Total Fund
<b>Strategic Target Range %</b>	<b>51-61%</b>			<b>14-24%</b>			<b>7-13%</b>	<b>7-13%</b>	<b>0-5%</b>		
Strategic Target %	56.0%	28.0%	28.0%	19.0%	17.0%	2.0%	10.0%	10.0%	5.0%	0.0%	N/A
Cash Market Investment %	51.1%	28.6%	22.5%	24.4%	22.3%	2.1%	10.5%	10.0%	1.9%	2.2%	N/A
Tactical Overlay % <sup>4</sup>	1.8%	0.8%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	(1.8%)	N/A
Effective Investment %	52.9%	29.4%	23.5%	24.4%	22.3%	2.1%	10.5%	10.0%	1.9%	0.4%	N/A
<b>Variance % (Strategic vs. Effective)</b>	<b>(3.1%)</b>	<b>1.4%</b>	<b>(4.5%)</b>	<b>5.4%</b>	<b>5.3%</b>	<b>0.1%</b>	<b>0.5%</b>	<b>0.0%</b>	<b>(3.1%)</b>	<b>0.4%</b>	N/A
Strategic Target \$ <sup>2,3</sup>	\$132.1	\$66.1	\$66.1	\$44.8	\$40.1	\$4.7	\$23.6	\$23.6	\$11.8	\$0.0	\$235.9
Cash Market Investment \$ <sup>2</sup>	\$120.5	\$67.4	\$53.0	\$57.5	\$52.5	\$5.0	\$24.7	\$23.6	\$4.4	\$5.2	\$235.9
Tactical Overlay \$ <sup>2,4</sup>	\$4.3	\$1.9	\$2.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$4.3)	N/A
Effective Investment \$ <sup>2,3</sup>	\$124.8	\$69.4	\$55.4	\$57.5	\$52.5	\$5.0	\$24.7	\$23.6	\$4.4	\$0.9	\$235.9
<b>Variance \$(Strategic vs. Effective) <sup>2,3</sup></b>	<b>(\$7.3)</b>	<b>\$3.3</b>	<b>(\$10.6)</b>	<b>\$12.6</b>	<b>\$12.4</b>	<b>\$0.2</b>	<b>\$1.1</b>	<b>\$0.1</b>	<b>(\$7.4)</b>	<b>\$0.9</b>	N/A
% Passive	62.6%	64.5%	60.1%	0.0%	0.0%	0.0%	0.0%	4.2%	0.0%	0.0%	32.0%
% Active	37.4%	35.5%	39.9%	100.0%	100.0%	100.0%	100.0%	95.8%	100.0%	100.0%	68.0%
% Internal	71.6%	74.7%	67.7%	89.6%	98.0%	0.0%	0.0%	4.2%	63.1%	100.0%	62.2%
% External	28.4%	25.3%	32.3%	10.4%	2.0%	100.0%	100.0%	95.8%	36.9%	0.0%	37.8%

\* Figures for this report are rounded for viewing purposes. Calculations are based on actual values.

\* When summing amounts on this report, there may be breakage.

\* MDP Venture accounts included in MDP's primary asset class. MDP Fixed and CalPERS Hedge Fund roll to External Domestic Equity.

<sup>1</sup> Cash includes SMIF at STO.

<sup>2</sup> (\$ Billion)

<sup>3</sup> Based upon Trade Date Accounting as recommended by CFA Institute GIPS Standards.

<sup>4</sup> Approximately \$4.3 Billion notional in Equity Futures were purchased to equitize cash.

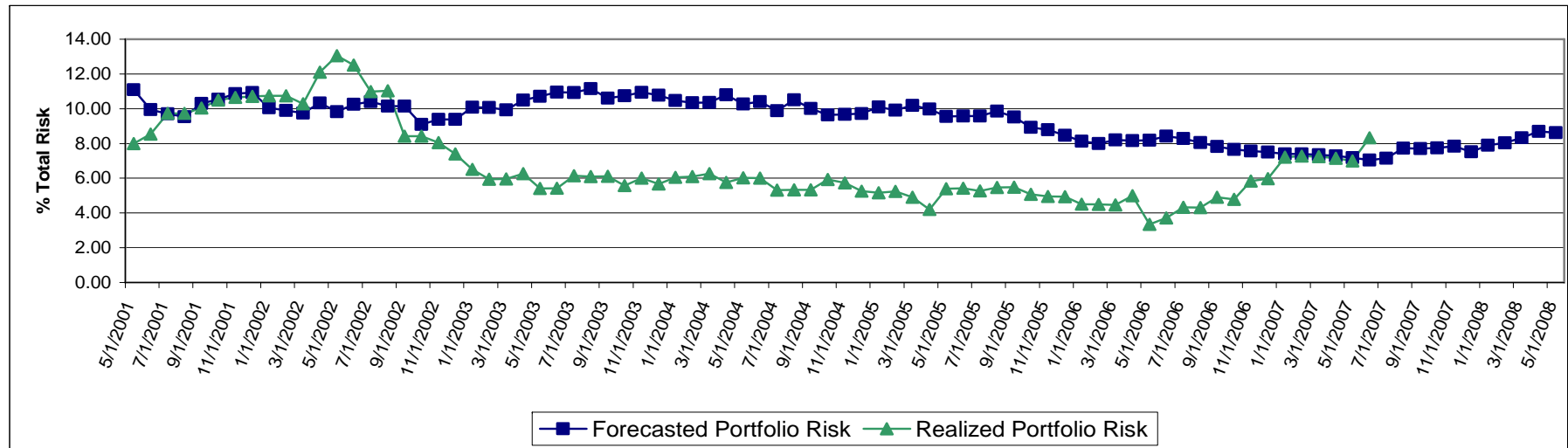
<sup>5</sup> Commodities plus collateral: \$1,279,854,585

Private Market Commitment as of July 31, 2008							
AIM				Real Estate			
Funded	\$(in Billions)	% Allocation	Target Range	Funded	\$(in Billions)	% Allocation	Target Range
Fair Market Value (FMV)	\$24.74	10.48%	7-13%	Fair Market Value (FMV)	\$23.65	10.02%	7-13%
Unfunded Commitment	\$26.80	11.36%		Unfunded Commitment (as of 6/30/08)	\$14.95	6.34%	
Fair Market Value plus Unfunded Commitment	\$51.54	21.84%		Fair Market Value plus Unfunded Commitment	\$38.60	16.36%	
Infrastructure				Forestland			
Funded	\$(in Billions)	% Allocation	Target Range	Funded	\$(in Billions)	% Allocation	Target Range
Fair Market Value (FMV)	\$1.1	0.05%	0-0.6%	Fair Market Value (FMV)	\$1.52	0.64%	0-0.5%
Unfunded Commitment (as of 6/30/08)	\$29	0.12%		Unfunded Commitment (as of 6/30/08)	\$18	0.07%	
Fair Market Value plus Unfunded Commitment	\$40	0.17%		Fair Market Value plus Unfunded Commitment	\$170	0.72%	

## CalPERS Forecast Total Risk (1 Standard Deviation) - One Year Horizon June 30, 2008

<u>Asset Class</u>	<u>Policy Risk Benchmark</u>	<u>Portfolio Risk</u>	<u>Benchmark Risk</u>	<u>Asset/Liability Assumptions</u>
US Equity	PERS2500	13.2%	14.0%	15.5%
International Equity	FTSE All-World xUS 25% hedged	13.4%	13.9%	17.5%
Global Fixed	Global Fixed Income	4.8%	5.1%	6.5%
Real Estate	NCREIF Proxy	16.2%	12.1%	17.0%
Alternative Investment	AIM Benchmark Proxy	20.2%	25.6%	25.0%
Inflation Linked	CPI	10.2%	6.7%	14.0%
Cash	US Dollar	0.5%	0.0%	1.5%
<b>TOTAL FUND</b>	<b>Total Fund Blended Benchmark</b>	<b>8.6%</b>	<b>8.0%</b>	<b>11.4%</b>

**Total Fund Risk**  
History of 1 Year Forecast Total Risk



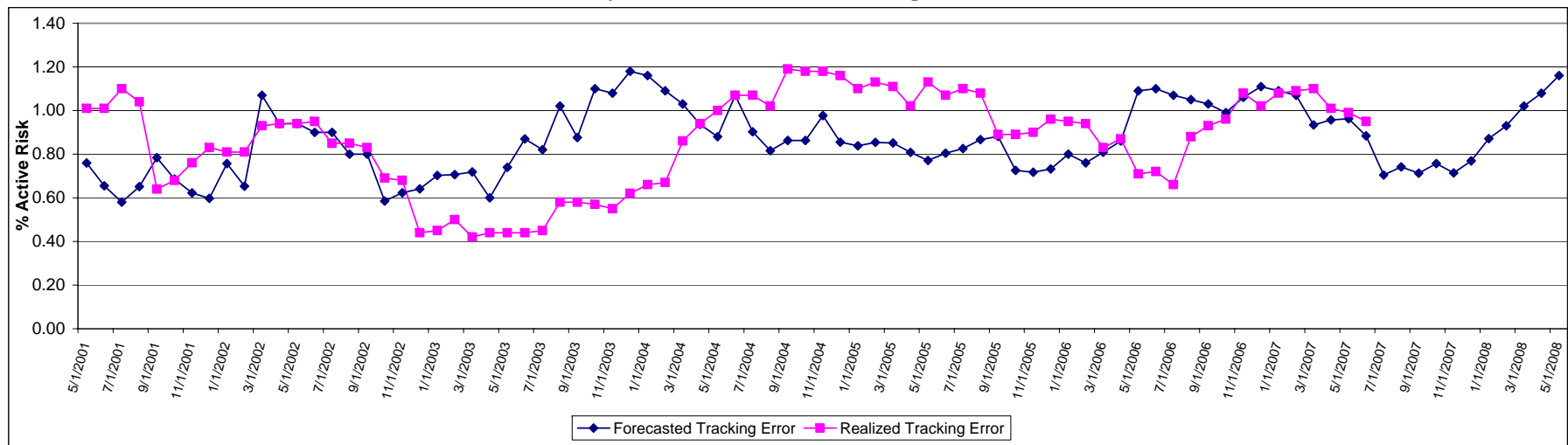
## Risk

### CalPERS Total Fund Tracking Error

June 30, 2008

Asset Allocation				Security/ Sector Selection		Total Fund Tracking Error	
Asset Class	Actual Allocation (%)	Target Allocation (%)	Difference (%)	3 yr Realized Tracking Error (%)	Risk Forecast Tracking Error (%)	Risk Budget Tracking Error (%)	Risk Forecast Tracking Error (%)
Global Equity	52.9	56.0	-3.1	0.59	1.27		
Global Fixed Income	24.7	23.5	1.2	0.6	0.82		
Real Estate	9.9	10.0	-0.1	6.44	10.30		
AIM	10.3	9.0	1.3	13.72	8.01		
Inflation Linked	2.0	1.5	0.5	-	-		
Cash	0.2	0.0	0.2	-	-		
Active Asset Allocation Tracking Error		Risk Budget 0.75	Risk Forecast 0.55				
Total Fund Tracking Error						1.5	1.08

### Total Fund Tracking Error Risk History of 1 Year Forecast Tracking Error Risk

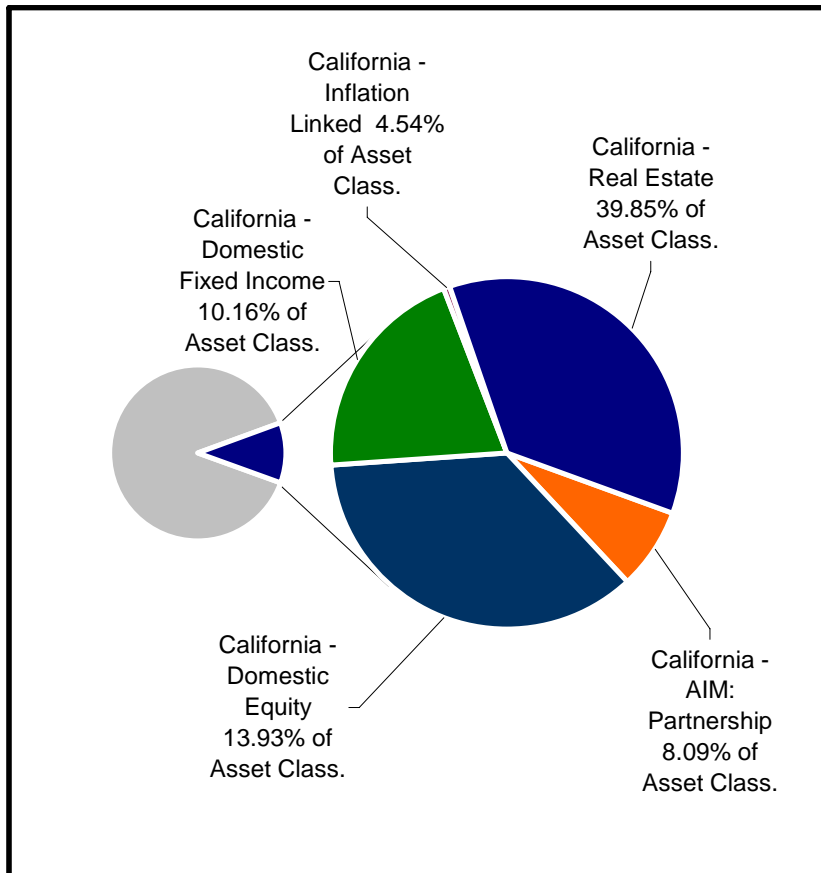


## CalPERS Investments in the State of California – July 31, 2008

The State of California offers CalPERS a number of attractive investment opportunities. The following charts summarize the investments by asset class as of the date of this report. A detailed report on California investments is available in the supplemental reporting document.

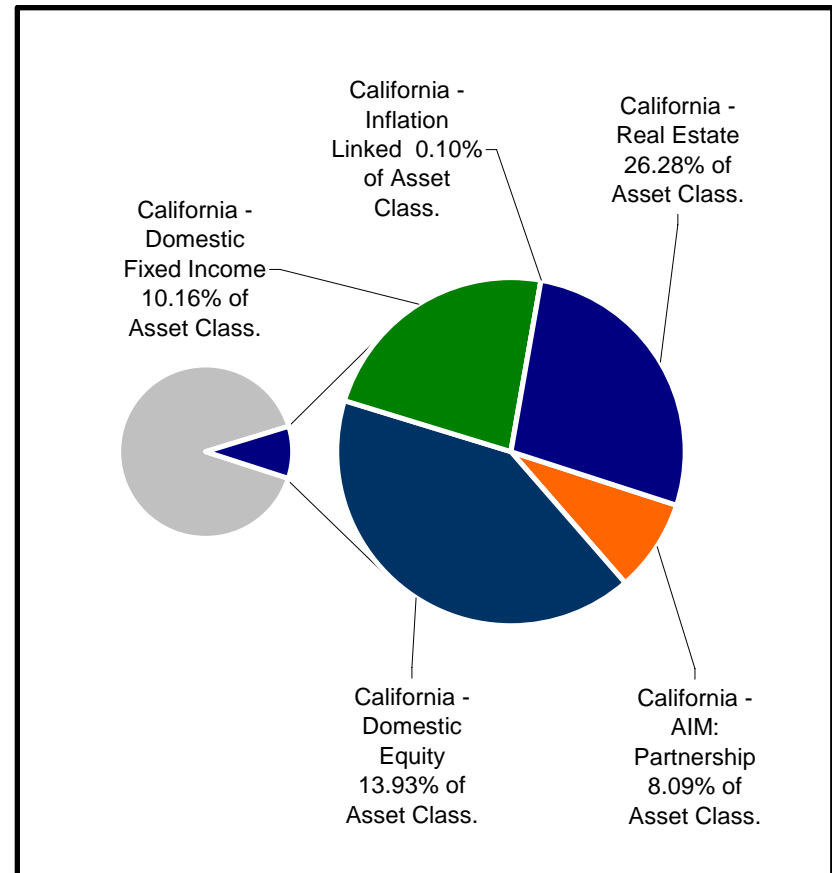
### California Investments plus Additional Commitments

Current California Commitments at 7/31/2008 Total Fund %: 11.17%



### California Investments

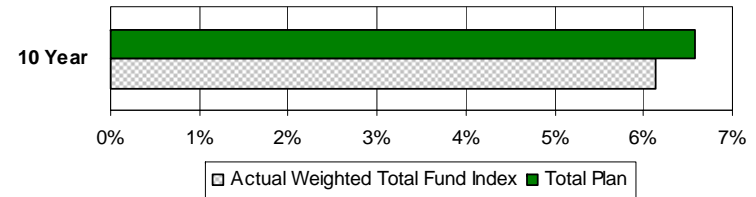
Current California Investments at 7/31/2008 Total Fund %: 9.73%



## Performance Summary – July 31, 2008

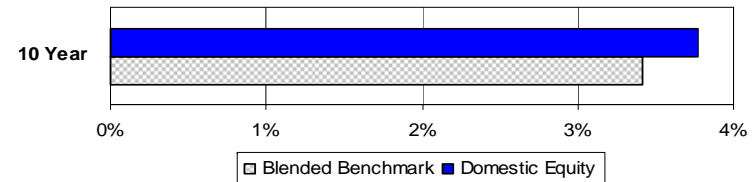
### Total Plan:

Net Total Fund returns have outperformed the Actual Weighted Total Fund Index during the, three-, five-, and ten-year time periods. It has underperformed during the one month, quarter, fiscal year-to-date, and one-year periods. Ten-year net returns were 6.57% versus 6.13% for the actual weighted index.



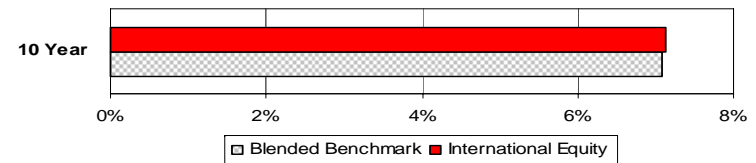
### Domestic Equity:

Net Domestic Equity returns have underperformed in all time periods except the quarter and ten-year period. Ten-year net returns were 3.77% versus 3.42% for the blended benchmark.



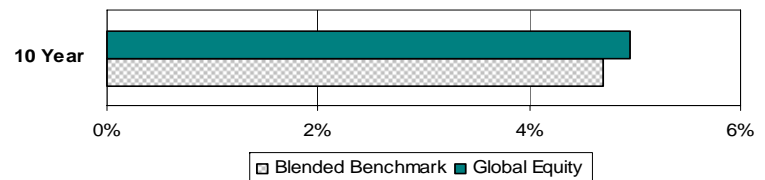
### International Equity:

Net International Equity returns have matched or outperformed the Blended Index in the one month, quarter, fiscal year-to-date, and ten-year time periods. It has underperformed in the one-, three-, and five-year periods. Ten-year net returns were 7.12% versus 7.09% for the blended benchmark.



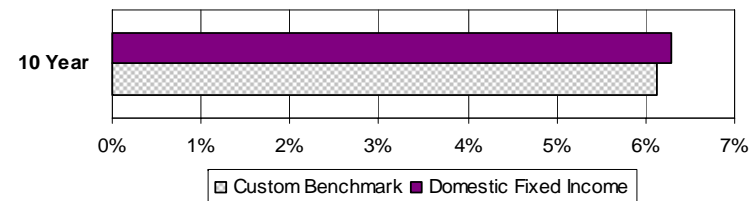
### Global Equity:

Net Total Global Equity underperformed its benchmark in all time periods except the ten-year period. Ten-year net returns were 4.95% versus the 4.70% blended benchmark return.



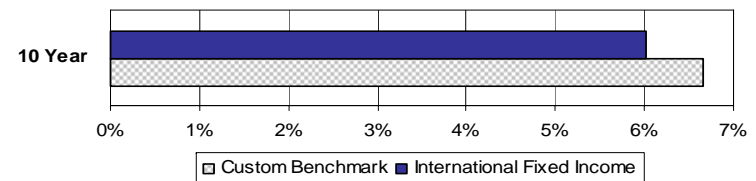
### Domestic Fixed Income:

Net Domestic Fixed Income returns have exceeded the benchmark in the three-, five-, and ten-year periods, but have underperformed in the one month, quarter, fiscal year-to-date and one-year periods. Ten-year net returns were 6.28% versus 6.13% for the benchmark.



### International Fixed Income:

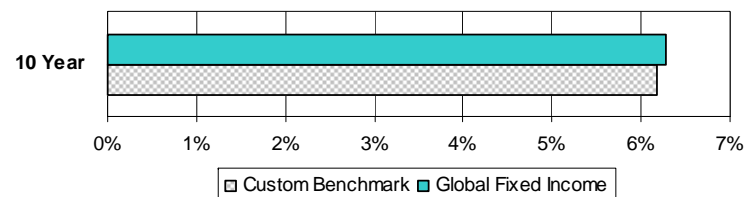
Net International Fixed Income returns have underperformed the benchmark in all time periods except the five-year period. Ten-year net returns were 6.02% versus 6.63% for the benchmark.



## Performance Summary – July 31, 2008

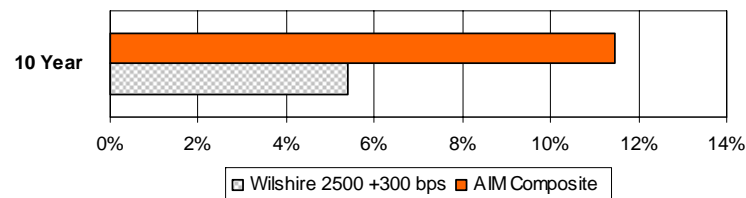
### Global Fixed Income:

Net Global Fixed Income returns have exceeded the benchmark in the three-, five-, and ten-year periods, but have underperformed in the one month, quarter, fiscal year-to-date and one-year periods. Ten-year net returns were 6.28% versus 6.17% for the benchmark.



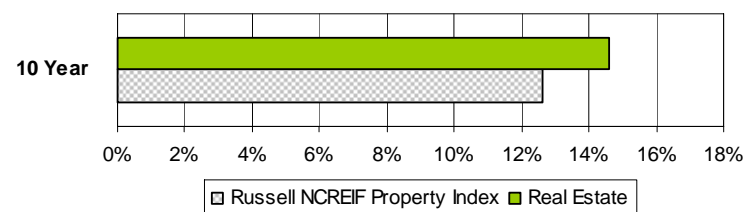
### AIM Composite:

Net returns for the AIM Composite portfolio have exceeded the custom blended benchmark in the three-, five-, and ten-year periods, but have underperformed in the one month, quarter, fiscal year-to-date and one-year periods. Ten-year net returns for the AIM Composite were 11.46% exceeding the ten-year custom blended benchmark return of 5.40%.



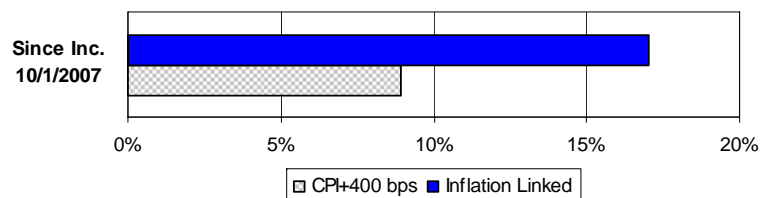
### Real Estate:

Net returns for the Total Real Estate Portfolio have underperformed during the quarter and one-year time periods. It has outperformed the index in the one month, fiscal year-to-date, three-, five-, and ten-year periods. Ten-year net returns were 14.60% versus 12.63% for the benchmark.



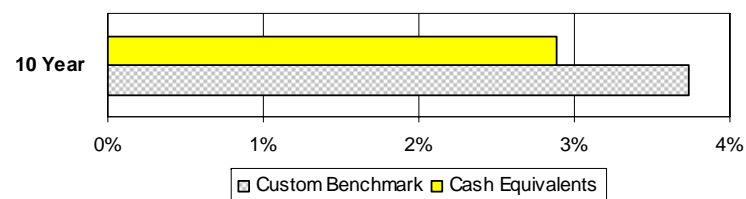
### Inflation Linked:

Net returns for the Inflation Linked portfolio have underperformed the benchmark in the one month, quarter and fiscal year-to-date time periods. It has outperformed in the since inception time period. Since inception net returns were 17.01% versus 8.90% for the benchmark.



### Cash Equivalents:

Net returns for the Cash Equivalents portfolio have underperformed the benchmark in all time periods. Ten-year net returns were 2.88% versus 3.73% for the custom benchmark.



# CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Periods Ending July 31, 2008

## CIO SUMMARY REPORT - GROSS

	% of Plan	MKT VAL \$(000's)	1 MO	QTR	FYTD	1 YR	3 YRS	5 YRS	10 YRS
<b>TOTAL DOMESTIC EQUITY</b>	28.6	67,423,607	-1.23	-6.96	-1.23	-10.64	3.23	7.70	3.81
<i>WILSHIRE 2500 EX TOBACCO (BLENDED)</i>			-0.94	-7.13	-0.94	-9.97	3.34	7.78	3.42
<b>TOTAL INTL EQUITY</b>	22.5	53,074,032	-3.39	-9.65	-3.39	-10.46	12.50	17.33	7.17
<i>CALPERS FTSE ALL-WORLD EX US</i>			-3.40	-10.17	-3.40	-9.35	13.13	17.61	7.09
<b>TOTAL GLOBAL EQUITY</b>	51.1	120,497,745	-2.22	-8.13	-2.22	-10.71	6.42	10.98	4.99
<i>TOTAL GLOBAL EQ EX AIM BENCHMARK</i>			-1.74	-8.13	-1.74	-9.66	6.59	11.01	4.70
<b>TOTAL DOMESTIC FIXED INCOME</b>	22.3	52,504,615	-1.21	-2.38	-1.21	4.12	4.07	5.76	6.29
<i>CALPERS CUSTOM LEH LPF (DAILY)</i>			-0.31	-1.24	-0.31	6.42	4.02	5.41	6.13
<b>TOTAL INTL FIXED INCOME</b>	2.1	4,927,713	0.17	-0.95	0.17	14.32	6.69	7.73	6.10
<i>CALPERS WORLD GOVT X US</i>			0.33	-0.96	0.33	14.30	6.92	7.62	6.66
<b>TOTAL GLOBAL FIXED INCOME</b>	24.4	57,456,375	-1.10	-2.27	-1.10	5.20	4.35	6.03	6.29
<i>CALPERS TOTAL GBL FIXED INCOME POLICY</i>			-0.26	-1.22	-0.26	7.14	4.31	5.65	6.17
<b>TOTAL AIM COMPOSITE</b>	10.5	24,735,085	-1.66	-2.12	-1.66	12.56	20.09	19.39	11.48
<i>CUSTOM YOUNG FUND</i>			0.88	2.67	0.88	14.36	16.90	15.72	5.40
<b>TOTAL REAL ESTATE</b>	10.0	23,625,676	0.04	-0.05	0.04	8.77	21.51	23.24	17.22
<i>NCREIF PROPERTY 1 QTR LAG (DAILY)</i>			0.00	1.60	0.00	13.58	16.75	15.07	12.63
<b>TOTAL INFLATION LINKED</b>	1.9	4,407,496	-4.33	3.53	-4.33				
<i>CPI + 400 BPS</i>			1.30	3.79	1.30				
<b>TOTAL CASH EQUIVALENTS</b>	2.2	5,209,231	-0.82	-7.68	-0.82	-4.45	0.92	1.25	2.88
<i>PERS CUSTOM STIF NET OF FEES</i>			0.21	0.63	0.21	3.93	4.58	3.38	3.73
<b>TOTAL FUND</b>	100.0	235,920,639	-1.66	-5.21	-1.66	-3.16	7.89	10.95	6.76
<i>CALPERS POLICY INDEX</i>			-1.04	-4.50	-1.04	-1.97	7.43	10.20	6.08
<i>ACTUAL WEIGHTED TOTAL FUND INDEX</i>			-1.05	-4.56	-1.05	-2.79	7.28	10.18	6.13

Equity (SH4KA1, SHAKA1, SWZLA1); Fixed Income (SJDKA1, SJDCA1, SJEKA1)

AIM (SJA1M); Real Estate 1 QTR Lagged (SJRKA1)

Inflation Linked (SX2CA1); Cash Equivalents (SJVKE1); Total Fund (SJ1CA1)

Currency Overlay is not included in Global Equity. CPI return is estimated.

# CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Periods Ending July 31, 2008

## CIO SUMMARY REPORT - NET

	% of Plan	MKT VAL \$(000's)	1 MO	QTR	FYTD	1 YR	3 YRS	5 YRS	10 YRS
<b>TOTAL DOMESTIC EQUITY</b>	28.6	67,423,607	-1.25	-6.98	-1.25	-10.71	3.17	7.65	3.77
<i>WILSHIRE 2500 EX TOBACCO (BLENDED)</i>			-0.94	-7.13	-0.94	-9.97	3.34	7.78	3.42
<b>TOTAL INTL EQUITY</b>	22.5	53,074,032	-3.40	-9.66	-3.40	-10.52	12.43	17.25	7.12
<i>CALPERS FTSE ALL-WORLD EX US</i>			-3.40	-10.17	-3.40	-9.35	13.13	17.61	7.09
<b>TOTAL GLOBAL EQUITY</b>	51.1	120,497,745	-2.23	-8.14	-2.23	-10.76	6.36	10.92	4.95
<i>TOTAL GLOBAL EQ EX AIM BENCHMARK</i>			-1.74	-8.13	-1.74	-9.66	6.59	11.01	4.70
<b>TOTAL DOMESTIC FIXED INCOME</b>	22.3	52,504,615	-1.21	-2.38	-1.21	4.12	4.07	5.76	6.28
<i>CALPERS CUSTOM LEH LPF (DAILY)</i>			-0.31	-1.24	-0.31	6.42	4.02	5.41	6.13
<b>TOTAL INTL FIXED INCOME</b>	2.1	4,927,713	0.17	-0.97	0.17	14.24	6.62	7.66	6.02
<i>CALPERS WORLD GOVT X US</i>			0.33	-0.96	0.33	14.30	6.92	7.62	6.66
<b>TOTAL GLOBAL FIXED INCOME</b>	24.4	57,456,375	-1.10	-2.27	-1.10	5.19	4.34	6.02	6.28
<i>CALPERS TOTAL GBL FIXED INCOME POLICY</i>			-0.26	-1.22	-0.26	7.14	4.31	5.65	6.17
<b>TOTAL AIM COMPOSITE</b>	10.5	24,735,085	-1.66	-2.12	-1.66	12.55	20.08	19.38	11.46
<i>CUSTOM YOUNG FUND</i>			0.88	2.67	0.88	14.36	16.90	15.72	5.40
<b>TOTAL REAL ESTATE</b>	10.0	23,625,676	0.04	-0.41	0.04	6.49	17.53	19.04	14.60
<i>NCREIF PROPERTY 1 QTR LAG (DAILY)</i>			0.00	1.60	0.00	13.58	16.75	15.07	12.63
<b>TOTAL INFLATION LINKED</b>	1.9	4,407,496	-4.33	3.49	-4.33				
<i>CPI + 400 BPS</i>			1.30	3.79	1.30				
<b>TOTAL CASH EQUIVALENTS</b>	2.2	5,209,231	-0.82	-7.68	-0.82	-4.45	0.92	1.25	2.88
<i>PERS CUSTOM STIF NET OF FEES</i>			0.21	0.63	0.21	3.93	4.58	3.38	3.73
<b>TOTAL FUND</b>	100.0	235,920,639	-1.67	-5.25	-1.67	-3.36	7.62	10.66	6.57
<i>CALPERS POLICY INDEX</i>			-1.04	-4.50	-1.04	-1.97	7.43	10.20	6.08
<i>ACTUAL WEIGHTED TOTAL FUND INDEX</i>			-1.05	-4.56	-1.05	-2.79	7.28	10.18	6.13

Equity (SH4KA1, SHAKA1, SWZLA1); Fixed Income (SJDKA1, SJDCA1, SJEKA1)

AIM (SJA1M); Real Estate 1 QTR Lagged (SJRKA1)

Inflation Linked (SX2CA1); Cash Equivalents (SJVKE1); Total Fund (SJ1CA1)

Currency Overlay is not included in Global Equity. CPI return is estimated.

## Operations/Activity Reports

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### Closed Session Transactions

- There was one (1) closed session transactions reported to the Board in Open Session per the requirements of California Government Code Section 20191.5 and the current CalPERS Board of Administration Statement of Policy & Procedures for Closed Sessions.

### Activity Reports

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- Staff prepares activity reports for the AIM, Real Estate, Risk Managed Absolute Return Strategies, Corporate Governance and Inflation Linked Asset Class Programs. Detailed reports and investment summaries for these programs are included in the supplemental reporting document.

#### AIM Activity Report

Activity	Month	2005	2006	2007	2008 YTD	Since Inception
Investment Proposals Entered	50	316	300	443	230	7,221
Declined/Referred/Failed to Materialize	51	429	268	389	220	5,901
Deals in Screening	29	319	300	443	230	4,254
Due Diligence Reviews	9	59	61	76	23	763

#### Real Estate Investments Activity Report

Activity	Month	2005	2006	2007	2008 YTD	Since Inception *
Investment Proposals Entered	2	N/A	N/A	N/A	114	114
Declined/Referred/Failed to Materialize	2	N/A	N/A	N/A	100	100
Deals in Screening	10	N/A	N/A	N/A	12	12
Due Diligence Reviews	3	N/A	N/A	N/A	3	3
* As of January 2, 2008						

#### Risk Managed Absolute Return Strategies Program Activity Report

Activity	Month	2005	2006	2007	2008	Since Inception
Investment Proposals Entered	12	59	69	90	69	785
Declined/Referred/Failed to Materialize	0	7	1	0	0	243
Deals in Screening	12	58	68	90	69	530
Due Diligence Reviews	12	58	68	90	69	530
Allocations Approved by RMARS Board	0	18	52	66	19	194
New ARD Funds Approved by RMARS Board	1	7	9	8	2	43
Funded Investments (\$ Millions)	\$115	\$783	\$1,809	\$2,499	\$849	\$6,669

#### Corporate Governance Activity Report

Activity	Month	2005	2006	2007	2008 YTD*	Since Inception *
Investment Proposals Entered	2	N/A	N/A	N/A	6	6
Declined/Referred/Failed to Materialize	0	N/A	N/A	N/A	5	5
Deals in Screening	N/A	N/A	N/A	N/A	N/A	N/A
Due Diligence Reviews	8	N/A	N/A	N/A	11	11
* As of April 1, 2008						

## Operations/Activity Reports

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### Activity Reports (cont.)

#### Inflation Linked Asset Class Activity Report

Activity	Month	2005	2006	2007	2008 YTD	Since Inception
Investment Proposals Entered	2	N/A	N/A	12	47	59
Declined/Referred/Failed to Materialize	3	N/A	N/A	N/A	8	8
Deals in Screening	1	N/A	N/A	N/A	7	7
Due Diligence Reviews	0	N/A	N/A	N/A	1	1

## Quarterly Reports

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According to policy requirements, the following is summary information extracted from the quarterly reports prepared for Investment Committee consideration. Executive Summaries and Full Reports are available in the supplemental reporting document.

### Securities Lending Earnings Quarterly Report:

Earnings for the quarter ended June 30, 2008, are presented to the Investment Committee for information.

	Average Lendable Assets (\$000)	Average % on Loan	Earnings (Annualized)	Income to CalPERS (\$000)
<b>Asset Class Earnings</b>				
Global Equities	\$89,301,338	29%	18 bp	\$38,478
Global Fixed Income	\$27,662,123	40%	14 bp	\$8,815
<b>Total Program Earnings</b>	\$116,963,460			\$47,293
<b>Unrealized gain on internal collateral reinvestment</b>				\$156,611 *
<b>Total Program Earnings including unrealized gain</b>				\$203,904

\*Unrealized gain resulted from CalPERS use of mark-to-market accounting on the valuation of the internal cash pool, which is not market convention on collateral reinvestment pools.

### Policy Violations:

Boston Global Advisors did not violate the policy during the first quarter of the calendar year.

State Street Bank did not violate the policy during the third quarter of the calendar year.

eSecLending violated the policy during the second quarter of the calendar year when a Corporate Note was downgraded from Aaa to A2. The security was rated Aaa by Moodys at time of purchase, however after the downgrade it violated our policy requirement of a minimum Domestic Corporate Note rating of A1/A+/A+. Staff reviewed the policy violation with eSec and determined the holding will remain in the external cash reinvestment portfolio while reviewing opportunities to maximize value in this position.

The program also carried over violations from the previous quarter. The overnight liquidity requirement of ten percent was first violated in the fourth quarter of last year. Staff has continued to monitor this situation and the overnight liquidity has increased, averaging 9.6% across the quarter. Additional existing violations are the result of downgrades in the external cash reinvestment portfolio. Two corporate notes and two asset-backed securities were downgraded over the past twelve months and are still held in the external reinvest portfolio. Staff is working with the manager to maximize value on these positions.

## Quarterly Reports

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### Securities Lending Earnings Quarterly Report (cont.)

#### Results:

The securities lending program generated \$47 million of income for the quarter ended June 30, 2008. Including the \$156 million unrealized gain, total program earnings for the quarter were \$204 million. The average market value of securities on loan for the quarter was \$36.8 billion.

## Quarterly Reports

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### Supplemental Income Plans Quarterly Report:

CalPERS 457 Plan - During the 2<sup>nd</sup> quarter ending June 30, 2008, the CalPERS 457 Plan experienced a \$15.6 million or 2.2% net increase in assets for a total of \$711.7 million. During the same quarter, participant enrollment increased from 26,652 to 27,381 for a net increase of 729 participants; and, an increase of 14 new agency adoptions for a total of 654 contracting agencies.

For fiscal year 2007/2008, the CalPERS 457 Plan achieved a \$16.6 million or 2.4% net increase in assets. The number of participants increased by 3,417 or 14.3%. The number of additional agencies that adopted our program increased by 42 or 6.9%.

State Peace Officers' and Firefighters' Defined Contribution Plan (POFF) -

For the 2<sup>nd</sup> quarter ending June 30, 2008 the POFF Plan assets increased 2.3% from \$340.0 million to \$347.8 million. The number of participants increased by 619 for a total of 40,470.

Supplemental Contributions Plan (SCP) - The SCP assets decreased 1.4% from \$21.4 million to \$21.1 million during 2<sup>nd</sup> quarter ending June 30, 2008. The number of participants decreased by 0.7% from 737 to 732.

## Investment Transactions

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Investment Transactions are reported to the Investment Committee for review under the requirements of California Government Code Section 20191. Information is provided in summary format in this consolidated document. Full reporting is available in the supplemental reporting document.

### **Portfolio Summary and Transactions Report:**

- Purchases – Internal Management (Page 20)
- Sales – Internal Management (Page 21)
- Currency Hedge Portfolio Summary (Page 22)
- Currency Hedge Portfolio Transactions (Page 22)

### **Investment Transaction Information: (full reporting is available in the supplemental reporting document)**

- Domestic Fixed Income Transactions
- International Fixed Income Transactions
- Domestic Equity Transactions
- International Equity Transactions
- AIM Program Transactions
  - Summary Listing of Capital Calls and Aggregate Distributions
- AIM Program Items Completed Under Delegation of Authority
  - Investment Summaries
    - Avenue Europe Special Situations LP, €140 million (\$221 million) commitment
    - Carlyle Asia Partners III LP, \$300 million commitment
    - GSO Capital Opportunities Fund LP, \$100 million commitment
    - Riverstone/Carlyle Renewable & Alternative Energy Fund II LP, \$300 million commitment
- Real Estate Equity Transactions
  - Dispositions Summaries
    - BlackRock Realty – Villas of Preston Creek, CalPERS equity share \$36,868,582.00
    - LaSalle Investment Management – Baltimore Land Holdings, LLC, CalPERS equity share \$35,025,900.00
  - Acquisitions Summaries
    - Miller Capital Advisory, Inc – Market Street at Woodlands, CalPERS equity share \$14,414,000.00
- Real Estate Opportunistic Investments
  - Investment Summaries
    - GI Partners Fund III, \$200 million commitment
    - JER Latin America Fund I, \$500 million commitment
- Real Estate Program Items Completed Under Delegation of Authority
  - Investment Summaries
    - No Items to Report
- Risk Managed Absolute Return Strategies Program Transactions
  - Summary Listing of Investments and Redemptions
- Risk Managed Absolute Return Strategies Program Items Completed Under Delegation of Authority
  - Investment Summaries
    - No Items to Report

## Investment Transactions

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**Investment Transaction Information (continued):** [\(full reporting is available in the supplemental reporting document\)](#)

- Inflation Linked Assets Transactions
  - Summary Listing of Investments and Redemptions
- Inflation Linked Assets Items Completed Under Delegation of Authority
  - Investment Summaries
    - No Items to Report
- Corporate Governance Program Items Completed Under Delegation of Authority
  - Investment Summaries
    - No Items to Report
- High Yield Performance
- Corporate Actions
- Internally Managed Derivative Transactions Summary
  - Investment Summaries
    - Futures purchases: \$9,989.2 million notional
    - Futures sales: \$10,894.1 million notional

## Portfolio Summary and Transactions

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### INVESTMENT TRANSACTIONS SUMMARY

(\$ Millions)

June 2008

#### PURCHASES

	<u>COST</u>	<u>%OF PURCHASES</u>
<b><u>EQUITIES:</u></b>		
Domestic	\$2,735.2	33.53%
International	\$3,488.3	42.76%
Total	\$6,223.5	76.28%
<b><u>FIXED INCOME:</u></b>		
Domestic	\$2,532.8	31.04%
International	\$1,908.70	23.39%
Total	\$4,441.5	54.44%
<b><u>ALTERNATIVE INVESTMENTS:</u></b>		
Partnership Component	\$714.8	8.76%
<b><u>INFLATION LINKED ASSETS:</u></b>		
Inflation Linked	\$267.1	3.27%
<hr/>		
<b>TOTAL PURCHASES:</b>	<b>\$8,158.6</b>	<b>100%</b>

## Portfolio Summary and Transactions

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### INVESTMENT TRANSACTIONS SUMMARY

(\$ Millions)

June 2008

#### SALES

	<u>COST</u>	<u>PROCEEDS</u>	<u>GAIN/ LOSS</u>
<b><u>EQUITIES:</u></b>			
Domestic	\$2,366.0	\$2,529.4	\$163.4
International	<u>\$2,213.2</u>	<u>\$2,200.9</u>	-\$12.3
Total	\$4,579.2	\$4,730.3	\$151.1
<b><u>FIXED INCOME:</u></b>			
Domestic	\$2,682.4	\$2,651.5	-\$30.9
International	<u>\$2,034.00</u>	<u>\$2,105.80</u>	\$71.8
Total	\$4,716.4	\$4,757.3	\$40.9
<b><u>ALTERNATIVE INVESTMENTS:</u></b>			
Partnership Component	\$88.7	\$88.7	\$0.0
<b><u>INFLATION LINKED ASSETS:</u></b>			
Inflation Linked	\$0.0	\$0.0	\$0.0
<b>TOTAL SALES:</b>	<u><u>\$7,171.1</u></u>	<u><u>\$7,375.4</u></u>	<u><u>\$204.3</u></u>

## Portfolio Summary and Transactions

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### CURRENCY HEDGE PORTFOLIO SUMMARY

(\$ Millions)

June 2008

<u>PENDING FX CONTRACTS</u>	<u>COST</u>	<u>MARKET VALUE</u>
Total FX Purchased	\$7,007.6	\$7,071.8
Total FX Sold	\$12,560.5	\$12,689.6

### CURRENCY OPTIONS

Currency Puts	\$381,356.7	\$381,356.7
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"For FX purchased, a market value higher than book value means the contracts have an unrealized gain as of the valuation date. For FX sold, a market value lower than book value means the contracts have an unrealized gain as of the valuation date."

### CURRENCY HEDGE TRANSACTION SUMMARY

(\$ Millions)

June 2008

<u>PURCHASES</u>	<u>COST</u>
Pending FX Contracts	\$11,578.7

<u>SALES</u>	<u>PROCEEDS</u>
Pending FX Contracts	\$13,528.2

## Affiliate Funds Reports

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Staff has compiled the following Affiliate Funds Allocation Reports for the period ending July 31, 2008.

### Annuitants' Health Care Fund:

<u>Asset Class</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
CASH	7,237,632.57	1.03%	\$7,237,632.57	1.07%
DOMESTIC EQUITY	321,486,790.16	45.79%	\$307,287,104.55	45.63%
FIXED INCOME	169,181,369.71	24.10%	\$166,612,520.85	24.74%
INTERNATIONAL EQUITY	204,109,575.07	29.07%	\$192,277,235.14	28.55%
TOTAL	<u>\$702,015,367.51</u>		<u>\$673,414,493.11</u>	

### CalPERS Health Care Bond Fund:

<u>Asset Class</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
FIXED INCOME	\$ 356,739,512.70	100.00%	\$371,861,244.02	100.00%
TOTAL	<u>\$ 356,739,512.70</u>		<u>\$371,861,244.02</u>	

### Judges' Retirement Fund:

<u>Asset</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
CASH	\$2,692,767.07	100.00%	\$2,692,767.07	100.00%
TOTAL	<u>\$2,692,767.07</u>		<u>\$2,692,767.07</u>	

## Affiliate Funds Reports

### Judges II Retirement Fund:

<u>Asset</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
CASH	\$4,597,028.95	1.49%	\$4,597,028.95	1.44%
DOMESTIC EQUITY	\$138,137,888.59	44.69%	\$142,004,768.61	44.55%
FIXED INCOME	\$105,697,327.09	34.19%	\$109,214,606.23	34.26%
INTERNATIONAL EQUITY	\$60,678,145.08	19.63%	\$62,932,932.55	19.74%
TIPS	\$0.00	0.00%	\$0.00	0.00%
<b>TOTAL</b>	<u>\$309,110,389.71</u>		<u>\$318,749,336.34</u>	

### Legislators' Retirement Fund:

<u>Asset Class</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
CASH	\$6,651.61	0.01%	\$6,651.61	0.01%
DOMESTIC EQUITY	\$39,004,747.14	31.51%	\$41,272,823.17	31.39%
FIXED INCOME	\$65,559,762.91	52.95%	\$69,036,356.67	52.51%
INTERNATIONAL EQUITY	\$11,672,990.95	9.43%	\$12,467,694.73	9.48%
TIPS	\$7,559,769.64	6.11%	\$8,688,141.60	6.61%
<b>TOTAL</b>	<u>\$123,803,922.25</u>		<u>\$131,471,667.78</u>	

### Long Term Care Fund:

<u>Asset</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
CASH	\$101,503.85	0.00%	\$101,503.85	0.00%
DOMESTIC EQUITY	\$773,721,166.80	35.70%	\$810,463,316.32	35.31%
FIXED INCOME	\$876,919,413.15	40.46%	\$930,804,166.12	40.55%
INTERNATIONAL EQUITY	\$422,077,921.19	19.48%	\$445,725,762.12	19.42%
TIPS	\$94,389,374.06	4.36%	\$108,267,472.63	4.72%
<b>TOTAL</b>	<u>\$2,167,209,379.05</u>		<u>\$2,295,362,221.04</u>	

## Affiliate Funds Reports

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### Public Employees' Medical & Hospital Care Act Contingency Reserve Fund:

<u>Asset</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
CASH	\$6,007,174.56	100.00%	\$6,007,174.56	100.00%
<b>TOTAL</b>	<u>\$6,007,174.56</u>		<u>\$6,007,174.56</u>	

### Supplemental Contribution Fund:

<u>Asset</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
CASH	146,301.37	0.84%	\$146,301.37	0.78%
DOMESTIC EQUITY	8,822,375.13	50.92%	\$9,710,203.72	51.81%
FIXED INCOME	5,019,307.92	28.97%	\$5,290,409.20	28.23%
INTERNATIONAL EQUITY	3,339,624.14	19.27%	\$3,595,867.46	19.19%
TIPS	0.00	0.00%	\$0.00	0.00%
<b>TOTAL</b>	<u>\$17,327,608.56</u>		<u>\$18,742,781.75</u>	